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No. 08-1021

IN THE

Supreme Court of the United States

GILEAD SCIENCES, INC., *et al.*,
Petitioners,

v.

TRENT ST. CLARE, *et al.*,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

PETITIONERS' REPLY BRIEF

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TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	ii
PETITIONERS' REPLY BRIEF	1
CONCLUSION	12

TABLE OF AUTHORITIES

CASES Page

Beightol v. *Navarre Corp.*, No. 4:08cv 00010-DPJ-JCS, 2009 WL 169069 (S.D. Miss. Jan. 26, 2009) 2
Berson v. *Applied Signal Tech., Inc.*, 527 F.3d 982 (9th Cir. 2008) 2
Catogas v. *Cyberonics, Inc.*, 292 F. App'x 311 (5th Cir. 2008) 5, 9, 10
Chien v. *Skystar Bio Pharm. Co.*, 566 F. Supp. 2d 108 (D. Conn. 2008) 2
Collier v. *Aksys Ltd.*, No. 3:04CV1232, 2005 WL 1949868 (D. Conn. Aug. 15, 2005), *aff'd*, 179 F. App'x 770 (2d Cir. 2006) 2
Conley v. *Gibson*, 355 U.S. 41 (1957), *aborgated by Bell Atl. Corp.* v. *Twombly*, 550 U.S. 544 (2007) 1
In re Countrywide Fin. Corp. Sec. Litig., 588 F. Supp. 2d 1132 (C.D. Cal. 2008) 2
DE&J Ltd. P'ship v. *Conaway*, 133 F. App'x 994 (6th Cir. 2005) 10
In re Dot Hill Sys. Corp. Sec. Litig., 594 F. Supp. 2d 1150 (S.D. Cal. 2008) 2
Dura Pharms., Inc. v. *Broudo*, 544 U.S. 336 (2005) ..... *passim*
In re First Union Corp. Sec. Litig., No. 3:99CV237-H, 2006 WL 163616 (W.D.N.C. Jan. 20, 2006) 2
Joffee v. *Lehman Bros.*, 209 F. App'x 80 (2d Cir. 2006) 10
Lattanzio v. *Deloitte & Touche LLP*, 476 F.3d 147 (2d Cir. 2007) 3, 5, 10
Masters v. *GlaxoSmithKline*, 271 F. App'x 46 (2d Cir. 2008) 9

TABLE OF AUTHORITIES—continued

	Page
Oran v. *Stafford*, 226 F.3d 275 (3d Cir. 2000)	9
Oscar Private Equity Invs. v. *Allegiance Telecom, Inc.*, 487 F.3d 261 (5th Cir. 2007)	6
In re Rhodia S.A. Sec. Litig., 531 F. Supp. 2d 527 (S.D.N.Y. 2007)	2
Schaaf v. *Residential Funding Corp.*, 517 F.3d 544 (8th Cir.), *cert. denied*, 129 S. Ct. 222 (2008)	10
Steiner v. *Medquist Inc.*, No. 04-5487(JBS), 2006 WL 2827740 (D.N.J. Sept. 29, 2006)	2
Teachers' Ret. Sys. v. *Hunter*, 477 F.3d 162 (4th Cir. 2007)	2, 9
Tellabs, Inc. v. *Makor Issues & Rights, Ltd.*, 127 S. Ct. 2499 (2007)	4
Tricontinental Indus, Ltd. v. *PricewaterhouseCoopers, LLP*, 475 F.3d 824 (7th Cir.), *cert. denied*, 128 S. Ct. 357 (2007)	4, 10
In re Williams Sec. Litig., ___ F.3d ___, 2009 WL 388048 (10th Cir. Feb. 18, 2009)	11

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PETITIONERS' REPLY BRIEF

Respondents' Brief in Opposition rests on a demonstrably false premise: that *Dura Pharmaceuticals, Inc.* v. *Broudo*, 544 U.S. 336 (2005), "provided a standard for pleading loss causation in securities fraud cases." Opp. 1; see also *id.* at 2 n.1, 14, 16, 17, 24, 26-28, 30. This Court in *Dura* assumed "for argument's sake" that Rule 8's pleading standard applied in that case, and it found the complaint deficient even under the permissive standard of *Conley* v. *Gibson*, 355 U.S. 41 (1957), *abrogated by Bell Atl. Corp.* v. *Twombly*, 550 U.S. 544 (2007). *Dura*, 544 U.S. at 346 (citing *Conley*, 355 U.S. at 47). Respondents mischaracterize an assumption "for argument's sake" as a holding of this Court.

Respondents' false premise is the foundation for their broader assertion that there is no controversy among the lower courts regarding the proper pleading standard. Unsurprisingly, lower courts do not agree. The Fourth Circuit has expressly noted the open question whether Rule 8 or Rule 9(b) applies to loss causation allegations in securities fraud cases.

Teachers' Ret. Sys. v. *Hunter*, 477 F.3d 162, 185-86 (4th Cir. 2007). An earlier (post-*Dura*) Ninth Circuit decision acknowledged that this Court "has not yet answered" whether Rule 8 or Rule 9(b) applies. *Berson* v. *Applied Signal Tech., Inc.*, 527 F.3d 982, 989-90 (9th Cir. 2008). As detailed in the petition, the Fifth and Seventh Circuits have applied Rule 9(b)'s particularity standard to allegations of loss causation after *Dura*. Pet. 17. Certain district courts apply Rule 9(b)'s particularity standard to loss causation, along with other elements of a securities fraud claim.[1] Others have acknowledged the uncertainty regarding the appropriate pleading standard.[2] Ultimately, respondents cannot unite the pleading standards adopted by the lower courts under an ill-defined "some" facts standard, Opp. 23, 24, 27, which respondents claim the Ninth Circuit adopted here. The question is open, the split is real, and only this Court can adopt a uniform, meaningful standard that ensures securities fraud claims are not deployed for their *in terrorem* effect. *Dura*, 544 U.S. at 346.

This case is an ideal vehicle for doing so. Both substantive components of loss causation are at issue: first, that the alleged loss must follow disclosure of

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[1] *See, e.g.*, *Beightol* v. *Navarre Corp.*, No. 4:08cv00010-DPJ-JCS, 2009 WL 169069, at *2 (S.D. Miss. Jan. 26, 2009); *Chien* v. *Skystar Bio Pharm. Co.*, 566 F. Supp. 2d 108, 114 (D. Conn. 2008); *In re First Union Corp. Sec. Litig.*, No. 3:99CV237-H, 2006 WL 163616, at *6 (W.D.N.C. Jan. 20, 2006); *Collier* v. *Aksys Ltd.*, No. 3:04CV1232, 2005 WL 1949868, at *5, 10 (D. Conn. Aug. 15, 2005), *aff'd*, 179 F. App'x 770 (2d Cir. 2006).

[2] *See, e.g.*, *In re Countrywide Fin. Corp. Sec. Litig.*, 588 F. Supp. 2d 1132, 1199 (C.D. Cal. 2008); *In re Dot Hill Sys. Corp. Sec. Litig.*, 594 F. Supp. 2d 1150, 1157 (S.D. Cal. 2008); *In re Rhodia S.A. Sec. Litig.*, 531 F. Supp. 2d 527, 544 (S.D.N.Y. 2007); *Steiner* v. *Medquist Inc.*, No. 04-5487(JBS), 2006 WL 2827740, at *19 n.22 (D.N.J. Sept. 29, 2006).

the alleged fraud, and second, that the losses claimed are attributable to the fraud, not other confounding causes. *Dura*, 544 U.S. at 342-43. Respondents employ a strategy of avoidance with respect to the latter, and of distortion with respect to the former.

Respondents claim plaintiffs need not plead *any* facts that provide a reason to believe they can disentangle non-actionable from actionable causes of a drop in stock price. Opp. 33-34. Respondents are so desperate to avoid this requirement that they treat it as if it were not part of the loss causation requirement itself. *Id.* at 33 (arguing this issue is not fairly included in the question presented, which concerns the pleading standard for "loss causation"). And they pretend as if there were not *three* prior complaints that had attributed the drop in Gilead's stock price to the non-actionable misestimation of inventory stockpiling by wholesalers. *Id.* at 3-4. Respondents have not even tried to argue that the Ninth Circuit's decision concluded that they had alleged even *some* facts "that would allow a factfinder to ascribe some rough proportion of the whole loss to" the alleged off-label marketing scheme, which is precisely what the Second Circuit requires. *Lattanzio* v. *Deloitte & Touche LLP*, 476 F.3d 147, 158 (2d Cir. 2007). The split with the Second Circuit could not be clearer.

Finally, the Opposition highlights the need to clarify the requirement to plead facts—not merely a theory—which show that the alleged loss occurred after the alleged fraud was revealed. Respondents argue that this requirement is satisfied by pleading that the risk concealed by the fraud has materialized and been disclosed, even if the fraud itself has not, Opp. 18, and that there is no requirement that the disclosure be a "mirror image" of the fraud, *id.* at 24

(citing *In re Williams Sec. Litig.*, 2009 WL 388048, at *8 (10th Cir. Feb. 18, 2009)). But even this "materialization of the risk" test has been questioned by courts of appeals. And, on respondents' explication, the Ninth Circuit's decision relaxes that standard to the point where it fails to serve its purpose of separating purely speculative claims from those with concrete prospects for success.

In sum, this Court should grant the petition for the same reason it granted the petition in *Tellabs, Inc.* v. *Makor Issues & Rights, Ltd.*, 127 S. Ct. 2499 (2007): one circuit has articulated a uniquely lax standard of pleading an element of securities fraud even as the other courts of appeals differ over the appropriate more meaningful standard. This Court's review is both necessary and appropriate here.

1. Respondents simply ignore those portions of lower court decisions that cannot be fit into their newly-minted, vague, "some" facts standard. They cannot explain why the Seventh Circuit would have pointed out that a state negligent misrepresentation claim could survive because Rule 8 applied, "not the heightened requirements of Rule 9," even as it dismissed a federal securities fraud claim for failure to plead loss causation adequately. *Tricontinental Indus., Ltd.* v. *Pricewaterhouse Coopers, LLP*, 475 F.3d 824, 839 n.10, 843-44 (7th Cir.), *cert. denied*, 128 S. Ct. 357 (2007). If, as respondents assert, the Seventh Circuit found the allegations of loss causation "implausible," Opp. 22-23 (emphasis omitted), then it would also have dismissed the state negligent misrepresentation claim, which likewise required loss causation. Respondents also casually dismiss, *id.* at 21, the Fifth Circuit's use of the word "particularity" to describe the pleading standard for loss causation, as if that were not the very term used

to distinguish Rule 8 from Rule 9. *Catogas* v. *Cyberonics, Inc.*, 292 F. App'x 311, 312 (5th Cir. 2008) (per curiam). The Seventh and Fifth Circuits apply the "particularity" requirement of Rule 9 to loss causation allegations, contrary to the Ninth Circuit.

Whether Rule 9(b)'s particularity standard or another heightened standard should apply is thus ripe for this Court's consideration. And substantial arguments favor applying Rule 9. Loss causation is readily considered one of the "circumstances constituting fraud," numerous courts prior to the PSLRA had stated that Rule 9 applied to securities fraud claims, and the PSLRA was designed to heighten (not weaken) the pleading requirements for those elements that were not subject to Rule 9(b)'s particularity requirement. See BIO Amicus Br. 9-16.

Even those courts that have not decided whether Rule 9's standard applies have demanded substantially more factual specificity than the Ninth Circuit here. Of particular note, respondents do not even attempt to square the Second Circuit's decision in *Lattanzio* with the Ninth Circuit's conclusion here.

Lattanzio affirmed dismissal of a securities fraud claim because the complaint had not "alleged facts that would allow a factfinder to ascribe some rough proportion of the whole loss to" the alleged fraud. 476 F.3d at 158. This pleading requirement is particularly germane because earlier versions of the complaint (which respondents attempt to brush aside, Opp. 3-4) attributed the loss to a non-fraudulent cause (inaccurate estimation of wholesaler inventory stocking). Respondents do not claim to have alleged any facts that point toward a way to apportion the alleged loss between allegedly fraudulent and non-fraudulent causes.

Respondents claim they need not plead any such facts, arguing that apportionment is not an aspect of loss causation. *Id.* at 33-35. But *Dura* said the ability to exclude other contributing causes is an aspect of loss causation that cannot be ignored. *Dura*, 544 U.S. at 343.[3] Respondents cite cases that are beside the point; they say, uncontroversially, that a plaintiff can recover for securities fraud even if the fraud was not the sole cause of the alleged loss, so long as it is proven to be a substantial cause. See Opp. 34-35. The question here is whether respondents must plead facts showing a reasonably well founded basis for believing that they will be able to prove the alleged fraud was a substantial cause, separate from other causes. That is what *Lattanzio* requires. And *Lattanzio* cannot be made to disappear by citation to pre-*Dura* cases that were less rigorous in policing pleading standards for loss causation. See Opp. 34-35 (citing pre-*Dura* decisions).[4]

2. Respondents' Opposition underlines why this case is an excellent vehicle for providing a uniform pleading standard for loss causation in securities fraud cases. To begin, respondents repeatedly rely on the (erroneous) argument that this Court in *Dura* held that Rule 8 applies to loss causation allegations. They refer only in passing to the Ninth Circuit's unsupported assertion that the Complaint could survive if evaluated under Rule 9(b)'s particularity standard, *id.* at 3, making no effort to explain how

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[3] Respondents' assertion that this issue is not fairly included in the question presented is thus absurd.

[4] The one post-*Dura* case respondents cite held that the inability to separate fraud-caused declines in price from other causes *precluded* class certification. *See Oscar Private Equity Invs.* v. *Allegiance Telecom, Inc.*, 487 F.3d 261, 270-71 (5th Cir. 2007).

their Complaint could meet that more rigorous standard.

More broadly, it is telling how respondents seek to satisfy the most basic aspect of loss causation—the requirement that the loss follow public disclosure of the facts concealed by the alleged fraud, *Dura*, 544 U.S. at 342. Respondents argue that their claim should proceed despite the *disconnect* between the fraud that they allege and what they now admit was disclosed. That disconnect—precisely the point on which the Ninth Circuit departs from the other Circuits—strikes at the heart of the concept of loss causation and demonstrates the urgency of this Court's review.

In their Complaint, respondents assert that demand for Gilead's flagship product was a mirage, with 75%-95% of Viread sales derived from illegal marketing practices. Pet. App. 5a. This fraud, respondents claim, was exposed by some combination of the FDA warning letters, the October 28, 2003 announcement of disappointing third quarter revenues, and a Morgan Stanley analyst report. According to respondents' Complaint, physicians started to reduce the number of prescriptions for Viread in response to the FDA warning letters. ER 85 ¶¶ 200-201. And, again according to the Complaint, the Morgan Stanley report "demonstrat[ed] a sharp drop [in prescriptions] in August 2003, and flattened growth for the rest of the third quarter, as compared to previous quarters." *Id.* ¶ 201. In sum, the fraud allegedly inflated the demand for Viread, and the disclosure supposedly revealed a substantial drop in that demand. The Ninth Circuit deemed this *theory* of loss causation not "per se implausible." Pet. App. 19a.

If the market understood that a fraud, striking at the overwhelming proportion of demand for Gilead's

flagship product, had been revealed at the end of October 2003, causing a drop in stock price, one would expect the respondents to have understood it also and to have pled it. Yet respondents did not allege that theory until their Fourth Amended Complaint more than two years later. The unexplained timing gap suggests that the theory does not reflect what the market understood in October 2003, but has since been manufactured to keep speculative litigation alive.

More importantly, the law require the pleading of specific facts to ensure that a stated *theory* is sufficiently well grounded in reality that it warrants imposing upon the defendant the risks and costs of litigation. *Dura*, 544 U.S. at 347-48. Yet neither respondents now nor the Ninth Circuit below could point to specific facts alleged in the Complaint that backed respondents' theory.

The Morgan Stanley report, which is attached, does not discuss a *drop* in prescriptions in the third quarter of 2003; at most, it shows slower growth in prescriptions. Reply App. 4a-5a. Respondents now admit that is all the report shows, Opp. 27, 31, which is *not* what they alleged in their Complaint. The Ninth Circuit relied on the *theory* without addressing the *facts* that supposedly supported the theory. Pet. App. 8a-9a. Indeed, the report states that "Viread demand continues to grow" but "off a lower base" due to Gilead's misestimation of *second-quarter* wholesaler inventory overstocking. Reply App. 2a.

In addition, the quick recovery of the stock price casts substantial doubt on the notion that the market interpreted events as plaintiffs suggest. If the market believed that the true demand for Viread was weaker than it had been led to believe, it is difficult to imagine why the price would have quickly rebounded.

The one-day decline in Gilead's stock price is consistent with the headline of the Morgan Stanley report and the theory in respondents' prior complaints: a downgrade based on the one-time misestimation of wholesaler inventory stocking. The alleged fraud assumes that Viread's commercial future was in peril. The reaction and commentary of the market suggests nobody thought so.

Respondents assert that the PSLRA's "bounce back" provision warrants ignoring, for pleading purposes, the quick recovery of Gilead's stock price. Opp. 32. The "bounce back" provision is a distraction; it addresses only the calculation of damages for a valid claim. It does not shield theories of loss causation from scrutiny at the pleading stage. The Ninth Circuit ignored the impact of the recovery of Gilead's stock price on the plausibility of respondents' loss causation theory because it considered only the "facial[]" plausibility of the theory. Pet. App. 17a. In evaluating the plausibility of a theory of loss causation, other circuits have considered recovery following an alleged corrective disclosure and the market's failure to react to more direct disclosures than the one at issue. See *Catogas*, 292 F. App'x at 315; *Masters* v. *GlaxoSmithKline*, 271 F. App'x 46, 51 (2d Cir. 2008); *Teachers*, 477 F.3d at 189. Cf. *Oran* v. *Stafford*, 226 F.3d 275, 283 (3d Cir. 2000) (Alito, J.) (looking at four-day price increase following corrective disclosure to show lack of materiality at pleading stage). Once again, the Ninth Circuit's decision diverges from those of other courts.

At bottom, respondents assert that they can ignore the need to plead facts supporting a connection between the supposed fraud and the supposed disclosure that revealed the fraud. Respondents believe they need only plead that the risk concealed

by the fraud has materialized and been disclosed, even if the fraud itself has not. Opp. 18. In their view, the public disclosure need not be a "mirror image" of the fraud. *Id.* at 24 (citing *Williams*, 2009 WL 388048, at *8). But such a "materialization of risk" theory is itself controversial. The Seventh Circuit concluded that "[w]e cannot accept this rendition of *Dura*'s requirements" and required pleading that the concealed facts "'bec[a]me generally known.'" *Tricontinental*, 475 F.3d at 843 (quoting *Dura*, 544 U.S. at 344). The Fifth Circuit requires that "[p]laintiffs must allege . . . that the market reacted negatively to a corrective disclosure, which revealed the falsity of [the defendant's] previous representations regarding" the same subject matter. *Catogas*, 292 F. App'x at 314. Since *Dura*, the Second, Sixth and Eighth Circuits have rejected complaints premised upon "materialization of risk" theories for failure to allege facts showing that the later events were caused by the earlier alleged fraud. See *Lattanzio*, 476 F.3d at 157-58; *Joffee* v. *Lehman Bros.*, 209 F. App'x 80, 81 (2d Cir. 2006); *Schaaf* v. *Residential Funding Corp.*, 517 F.3d 544, 552-53 (8th Cir.), *cert. denied*, 129 S. Ct. 222 (2008); *DE&J Ltd. P'ship* v. *Conaway*, 133 F. App'x 994, 999-1000 (6th Cir. 2005).

Not only is the materialization of risk theory controversial, but respondents here defend an extraordinarily broad version of it. Given the disconnect between the alleged fraud and what was disclosed, respondents are essentially arguing that *any* impact on demand—even an impact that amounts to a merely temporary slowdown in demand growth—is a materialization of the risk concealed by a fraud that supposedly inflated demand. As Judge

McConnell observed in *Williams*, "The zone of risk ... is not infinite in size." 2009 WL 388048, at *11.

The weakening of the pleading requirements for loss causation that respondents defend here will undermine the purposes of requiring loss causation to be pled in the first place. *Dura*, 544 U.S. at 345-48. And, as the amici have well articulated, the harm to companies in growth fields like technology and biotechnology is particularly acute given the volatility they experience in stock prices even under innocent circumstances. BIO Amicus Br. at 6-8; TechNet Amicus Br. 3-8. Biotechnology and other regulated industries subject to frequent regulatory action like the warning letters at issue here will likewise bear the costs of the Ninth Circuit's excessively lax pleading standard. BIO Amicus Br. 5-6; WLF Amicus Br. 16-19. The broad industry support for certiorari forcefully shows the national significance and importance of this issue, especially as we progress through a period of especially high market volatility. NAM Amicus Br. 6-9.

CONCLUSION

For the foregoing reasons, and those stated in the petition, the petition for writ of certiorari should be granted.

Respectfully submitted,

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March 31, 2009

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APPENDIX

Morgan Stanley

Equity Research
North America

United States of America

Biotechnology

Gilead Sciences

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Analysis of Sales/Earnings

October 29, 2003

Viread Surprises — But Not as Usual

STOCK RATING	OVERWEIGHT
Price (October 27, 2003)	$37.42
Price Target	$62
52-Week Range	$70.61 - 31.24

STOCK ratings are relative to the analyst's industry for industry team's coverage universe

GICS SECTOR	HEALTH CARE
US Strategist Weight	14.8%
S&P 500 Weight	13.3%

WHAT'S CHANGED	
Change of Target Price	$60 to $62
Earnings (2003)	to $1.46 from $1.57
Earnings (2004)	to $2.01 from $2.01
Earnings (2005)	to $2.97 from $2.88
Earnings (2006)	to $3.74 from $3.90
Earnings (2007)	to $4.34 from $4.77

- **Gilead Posts a 3Q Disappointment**
  After the close of market on Tuesday, Gilead posted adjusted 3Q EPS of $0.28 per share, well below our aggressive $0.39 and the $0.35 consensus. EPS were impacted by lower Viread sales and significantly greater US Viread inventory reductions. SG&A was lower, partially offsetting.
- **Viread Inventory the Story**
  Higher-than-anticipated Viread inventories entering 3Q, lower end-user demand entering the quarter, and lower wholesaler target inventories combined to have a significant negative impact on reported 3Q Viread sales. 3Q Viread sales totaled $115 million versus our aggressive $172 million estimate and the $155 million consensus.
- **Building from a Lower Base - Remain Overweight**
  We believe Viread demand continues to grow, albeit off a lower base. While the impact is significant to our 4Q revenue forecast, it dissipates over time as the product makes in-roads into underpenetrated markets. Confidence in management's ability to manage inventory and forecast demand will take time to rebuild, in our view.
- **Biotechnology Industry View: In-Line**
  Fundamentals are strong and momentum continues, but we believe the current valuations will make it difficult for the group to outperform the broader markets.

Fiscal Year Ends (Dec. 31)	2002	2003e	2004e	2005e
EPS ($)	0.42	1.46	2.01	2.97
Prior EPS Est. ($)	–	1.57	2.01	2.88
First Call Consensus ($)	0.43	1.42	1.93	2.78
P/E	136.3	29.3	29.6	19.3
P/E Rel. to (local index) (%)	–	–	–	–
Price/Book	–	–	–	–
EV/EBITDA	133.3	29.9	15.4	10.9
Yield (%)	–	–	–	–
Market Cap ($mm)	11,581.9			
Enterprise Value ($mm)	10,869.9			
Debt Cap (08-03) (%)	–			
Return on Equity (08-03) (%)	–			
LT Est EPS Growth (yy - yy) (%)	19.0			
P/E to Growth	–			
Shares Outstanding (mm)	301.4			

Qtrly EPS	2002e as last	2003e curr	2003e prev	2004e curr	2004e prev
Q1	(0.02)	0.21	–	–	–
Q2	0.10	0.46	–	–	–
Q3	0.19	0.28e	0.39e	–	–
Q4	0.17	0.47e	0.48e	–	–

e = Morgan Stanley Research estimates

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Morgan Stanley

Viread Surprises--But Not as Usual

Company Description
Gilead Sciences, headquartered in Foster City, California, is an independent biopharmaceutical company that seeks to provide treatment solutions in the infectious disease and oncology area

Summary and Investment Conclusion
After the close of market on Tuesday, Gilead posted adjusted 3Q EPS (before non-recurring items) of $0.28, well below our aggressive $0.39 estimate, and Street consensus expectations of $0.35. EPS was impacted by lower Viread sales and significantly greater US Viread inventory reductions. SG&A was lower, partially offsetting

Viread sales numbers were the story, as usual, but the numbers reported were quite unusual. It was widely known that Viread sales would be impacted by some drawdown of the significant wholesaler inventory build, which occurred in 2Q. However, a confluence of factors came together to result in a much greater hit in 3Q than anticipated. 1) **Management underestimated the magnitude of the 2Q wholesaler inventory build**, putting it at $25-$30 million, rather than the $33-$37 million it now believes was the case. 2) As a result of the mis-estimation of the contribution of the wholesaler inventory build in 2Q and its contribution to 2Q US sales recorded by Gilead, **calculated 2Q end-user sales figures** were inflated above actual levels, and thus the end-user demand run-rate entering 3Q was actually lower than previously believed. 3) **Wholesalers appear** to have managed down their inventory levels for Viread, at least in the short term, from the one-month level previously, to about half of that now. The result of higher inventories entering the quarter, lower end-user demand entering the quarter, and lower wholesaler target inventories, had a significant effect on the reported 3Q Viread number.

Looking forward however, the story may be getting back to business as usual. The only lingering fundamental factor among the aforementioned is the fact that end-user demand run rates were actually lower than previously believed. Thus, while Viread demand continues to grow, it is off a lower base. The impact of this is meaningful to our 4Q Viread forecast, but dissipates over time as the product should continue to make in-roads into un-penetrated markets. Yet, the Viread issues coming to light in the 3Q announcement should also have a psychological impact, with regard to the degree of confidence in management's ability to manage and forecast Viread demand and inventory levels. We believe this will also impact GILD in the near term, until confidence re-builds with additional prescription and earnings data points.

We adjusted our earnings estimates as outlined below, largely to reflect the lower Viread sales base exiting 3Q. However, we also reduced our R&D and SG&A spending expectations, which in out years, more than offset the modest reductions we took in Viread sales in the out years (as the 3Q hiccup is not expected to have long-term repercussions).

Our new EPS estimates are:

- 2003 goes to $1.46 from $1.57
- 2004 goes to $2.01 from $2.51 (biggest impact from increasing forecast tax rate to 30% from 19%)
- 2005 goes to $2.97 from $2.89
- 2006 goes to $3.74 from $3.60
- 2007 goes to $4.34 from $4.23

Valuation and Risks
Our price target goes to $82 from $86, based on the lower 4Q EPS outlook and lower multiple, partly offset by a higher long-term growth rate off of the lower 2004 EPS base. Our new price target is based on a 1.4 PEG (near the middle of the range for profitable companies) on our new 2004 EPS estimate of $2.01, and long-term (2004-2007) EPS growth rate of 29%.

Despite the setback in confidence and near-term earnings, with the pullback in the shares, we believe that GILD presents an attractive investment opportunity. We believe continued growth in Viread, Hepsera, and Emtriva, regulatory progress with the Viread/Emtriva co-formulation, and improving confidence in the visibility on Viread sales and inventories will drive appreciation from here. The primary risks to the story is the reduced visibility on Viread demand and inventory levels, development timelines for the Viread/Emtriva co-formulation, and increasing competitive environment -- particularly by key competitor, Glaxo.

Quick Look at 3Q Earnings
EPS of $0.28 per share were disappointing due to lower Viread sales, which included a much larger than anticipated impact from inventory draw-downs in the quarter.

- **Total revenues** came in at $200.4 million, versus our estimate of $239.4 million. This is a 50% increase versus 3Q02 but down 16% sequentially. Sales were strong for AmBisome, Hepsera, and Emtriva, but Viread was disappointing.

Please see analyst certification and important disclosures starting on page 13.

- **Viread** reported sales of $115.4 million were well below our aggressive estimate of $172.0 million and the Street consensus of about $154 million ($135-172 million range). Viread sales were up 67% versus 3Q 2002, but down 31% versus 2Q 2003.

  Excluding inventory fluctuations, sales in 3Q were about $150 million (excluding the approximately $33-$37 million inventory reduction in the quarter). This was up about 14% versus 2Q end-user sales of about $132 million (excluding the $25-$30 million inventory build).

  Reported US sales of Viread in 3Q were $59 million, down 49% from the $115 million in reported 2Q sales. However, excluding the inventory impact, US sales of about $94 million in 3Q were up 17% over adjusted 2Q sales of $81 million. The 17% increase in end-user demand included the contribution from a 5.5% price increase instituted in June, and 13.5% increase in IMS reported scrips versus 2Q.

  International Viread sales were $56 million in 3Q, up 9% over 2Q levels. We believe there was minimal impact from FX in Viread sales versus 2Q. However, the typical seasonal slow-down in Europe, as well as unseasonably warm weather, slowed growth below the trend-line.

- **Hepsera** sales of $16.4 million were well above our $14.0 million and compared to the Street consensus of $13.4 million (range $12.4 -18.0 million). This equates to 32% growth versus 2Q 2003 levels.

- **AmBisome** sales were $51.6 million, well above our $44.7 million estimate, and versus Street consensus of $42.9 million (range of $39.6- $50.7 million). The positive surprise was due in part to shortages of a competing product in the European market (which accounts for most of the AmBisome sales), and less than anticipated impact from Pfizer's Vfend and Merck's Cancidas.

  Sales were up 1% sequentially and up 6% year over year. Year-over-year growth benefited from the favorable rise in the Euro versus last year, but sales declined 1% on a unit basis due to ongoing competition from Vfend and Cancidas.

- **Emtriva** sales, in its first quarter on the market, were $6.0 million, versus our $5.0 million forecast, and Street consensus of $4.9 million (range of $2.2-$17 million).

- **Total operating expense** was $108.5 million, well below our $144.0 million forecast on lower sales volumes and lower SG&A expense.

- **R&D** expense came in at $44.9 million (excluding a one-time $13.2 million settlement payment with a vendor, likely related to the earlier mis-randomized adefovir trial). R&D spending was 27% since last year, and up 16% sequentially. This was well below our forecast of $44.0 million. R&D expense increased versus last year due to the January 2003 acquisition of Triangle Pharmaceuticals.

- **SG&A** of $63.6 million came in below our $68.0 million forecast, up 50% from the year earlier, and up 6% sequentially. SG&A versus last year was also boosted by the inclusion of Triangle, beginning in January.

Update on Guidance

Management provided an update on its previously-released guidance (from the 2Q earnings conference call) on today's conference call.

- **Viread:** New guidance of $550-$570 million, lowering the top end of the range from previous guidance of $550-$600 million versus our new $570 million forecast.

- **AmBisome:** Raised to $180-$185 million, up from previous guidance of $170-$180 million versus our new $187 million estimate.

- **Hepsera:** no guidance has been given, but we now forecast $53 million.

- **Emtriva:** no guidance has been given, but we forecast $21 million.

- **Contract Revenue:** $4-$6 million versus our $5 million forecast.

- **Gross Margin:** New guidance of about 86%, at the top end of the prior range of 84% - 86%, and versus our 86.4% estimate.

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- **R&D:** Reduced to $155-$160 million, from $165-$180 million earlier. However, most of the reduction is due to the one-time $13.2 million settlement with a vendor in 3Q (which is not included in our new $172 million forecast). On an apples-to-apples basis, our new R&D estimate is at the high-end of management's new guidance.
- **SG&A:** Management took down the top end of the SG&A guidance range, to $240-$250 million, down from $240-$260 million and versus our new $241 million forecast.
- **Tax Rate:** Mid single digits (due to tax loss carry forwards and no significant accruals for financial accounting purposes yet) versus our 6% forecast.
- **EPS:** There has been no prior EPS guidance, but we forecast $1.46 for 2003, versus the existing Street consensus (prior to the earnings release) of $1.46. Our 4Q EPS forecast is for earnings of $0.47, in line with existing 4Q Street consensus.

Gilead Sciences Revenue and Inventory Details

($ millions)	4Q02*	1Q03	% Chg.	2Q03	% Chg.	3Q03	% Chg.	4Q03E	% Chg.	2003
Reported Revenues	85.0	107.0	26%	167.0	56%	115.4	-31%	180.6	57%	570.0
US Ladamivir Sales	56.3	66.8	19%	80.6	21%	94.4	17%	110.4	17%	352.2
Int'l Ladamivir Sales ***	26.8	39.0	45%	51.4	31%	36.0	-9%	67.2	20%	212.6
Total Ladamivir Sales	83.1	104.8	26%	132.0	26%	130.4	-1%	177.6	18%	564.8
Currency Benefit		3.8		5.0		-		-		8.8
Price Increase	-	-		-		4.9	4%	-		4.9
Underlying Demand Growth - Ladamivir ***			23%		31%		10%		19%	
US Inventory (beg. of period)	13.0	19.3	36%	18.0	-4%	33.0	105%	18.0	-46%	-
Change in US Inventory	1.9	2.2	16%	15.0	581	(15.0)	NM	3.0	NM	5.2
US Inventory (end of period)	19.3	18.0	-8%	33.0	105%	18.0	-46%	21.0	17%	
US Weekly sales rate	4.3	5.1	19%	6.2	21%	7.3	17%	8.5	17%	-
US Weeks of Inventory**	4.5	3.5	-22%	5.3	46%	2.5	-51%	2.5	0%	-
GMS Viread Scripts	130,564	168,350	29%	197,911	17%	313,417	58%			

* 4Q02 Inventory (beginning of period), and Change in Inventory are estimated and shaded
** Calculated on current period run rate (i.e., 4Q03 inventory of 3.0 wks divided by 4Q03 weekly sales of $8.6 mm)
*** Assumes no inventory fluctuations in Europe
**** Revenues, normalized for inventory build-down-down, currency, and price increases (constrained core growth)

e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

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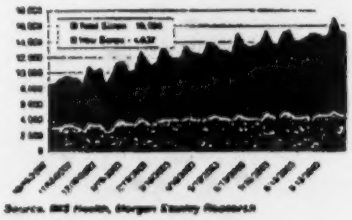
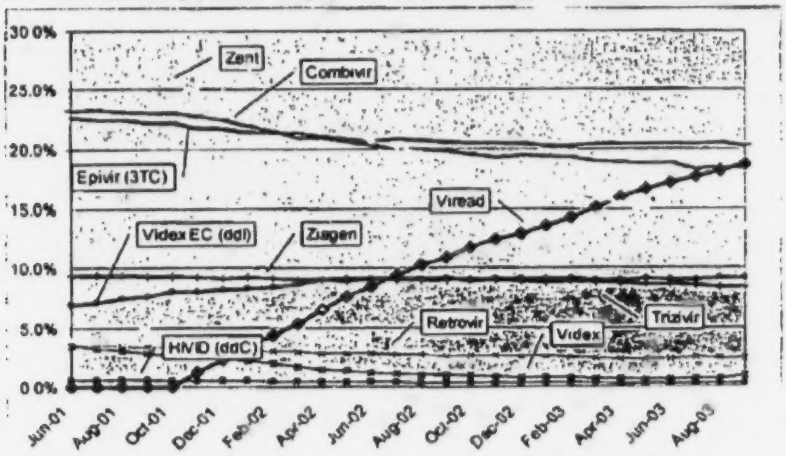
Viread Weekly Scripts (last 52 weeks)



Source: IMS Health, Morgan Stanley Research

Viread Market Share Among Nucleoside Analog Class (monthly IMS data, past 2 years)



Source: IMS Health, Morgan Stanley

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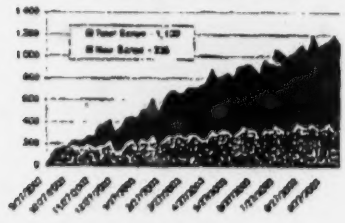
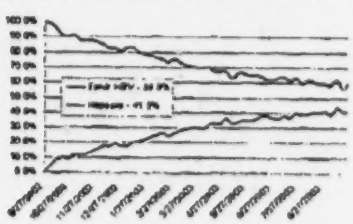
Exhibit 4
Hepsera Weekly Scripe (since Hepsera launch)



Source: IMS Health, Morgan Stanley Research

Exhibit 5
Hepsera Market Share versus Epivir (weekly TRx data)



Source: IMS Health, Morgan Stanley Research

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Gilead Sciences 3Q03 Earnings Snapshot

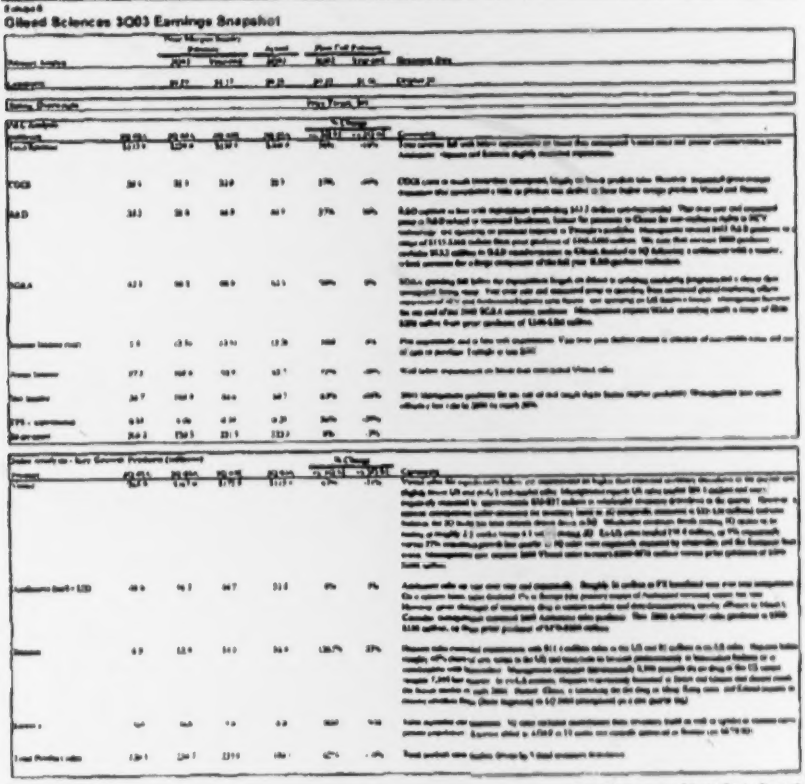
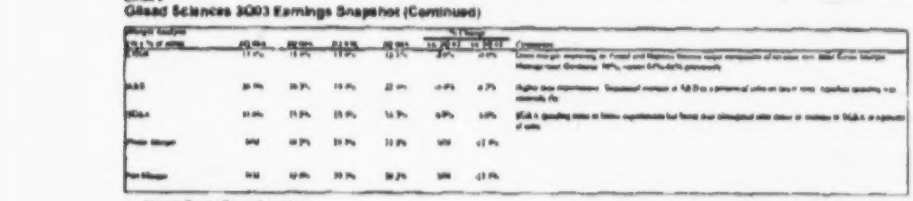


Exhibit 6

Gilead Sciences 3Q03 Earnings Snapshot (Continued)



e = Morgan Stanley Research estimates
Source: Company data, Morgan Stanley Research

Pipeline Update:
Gilead management provided the following update on the pipeline

Hepsera

- During 3Q the company launched Hepsera in Spain, Greece, Austria, Sweden and Norway, and expects an early 2004 launch in Italy. Regulatory approval has been granted in Australia, and the company has filed for approval in Canada, Switzerland and Turkey.

- Partner Glaxo has launched Hepsera in Hong Kong, and is about to launch the product in Singapore. Launches in Taiwan, Korea, China and Japan are expected in 2004/2005.

Viread

- Gilead has initiated the three necessary stability studies required for approval of the co-formulation of Viread and Emtriva. The company has completed the necessary bioequivalence studies designed to demonstrate that the co-formulated pill provides the same blood levels of the drugs as each given separately. The results of this study will be released sometime next year. Management mentioned that they are in discussions with regulatory bodies to confirm the filing strategy for the product, and hope to file in 1H 2004. With a traditional 10-month FDA turnaround time, the company continues to assume approval in early 2005. However, if shorter-duration stability data is sufficient for filing, or the FDA provides a faster review, the co-formulation could be available as early as late 2004.

- About 185 patients have already been enrolled in the 300 patient head-to-head study of Viread, Emtriva plus Efavirenz versus Combivir (AZT and 3TC) plus Efavirenz in treatment naive patients. Patients on the Viread and Emtriva arm will be switched from the individual drugs to the co-formulated product following the review of bioequivalence data by Gilead and the FDA. The patients will be followed for 48 weeks, and the goal is to have data available for presentation around the time of the US product launch of the Viread-Emtriva co-formulation pill.

- At the European AIDS conference currently being held in Warsaw, data from Study 910, an extension of two pivotal clinical studies of Viread in which treatment-experienced HIV patients received Viread for periods of up to four years, was presented. Results showed that Viread was associated with a low incidence and severity of adverse events and laboratory abnormalities.

- Also in Warsaw, data was presented highlighting results from the RECOVER study in which 1,350 highly treatment-experienced patients substituted Viread for a drug from their existing antiretroviral treatment regimen. Results suggested that the use of Viread may improve dyslipidemia associated with stavudine-based regimens, while maintaining viral suppression.

- Yesterday, Abbott presented data using Viread and Emtriva as a "backbone" in their evaluation of Kaletra once a day versus twice a day. Patients in both arms of the study responded well. We believe that this should increase the viability of Emtriva and Viread as it includes these drugs in another once a day HIV treatment protocol. Furthermore,

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Emtriva and Viread should gain increased visibility by way of Abbott's promotional campaign for once-daily Kaletra utilizing this data.

- In late July, Gilead announced a licensing agreement with Japan Tobacco under which Japan Tobacco will commercialize Viread, Emtriva and the future co-formulation of the two products in Japan. Japan Tobacco will submit an application to the relevant Japanese authority and the company expects both Viread and Emtriva to be launched in Japan in 2004.

Emtriva

- Gilead announced that the European Commission granted marketing authorization for Emtriva in all 15 member states of the European Union. Emtriva will be priced at or slightly above Lamivudine's price, similar to the US pricing strategy.

- The company expects data from a Phase III study of FTC (branded as Emtriva for HIV) in chronic HBV shortly, and will update the regulatory strategy following unblinding and review of the data.

GS 7340

- The Viread prodrug, GS 7340, is in an ongoing Phase I/II trial. The goal is to show that GS 7340 retains Viread's beneficial side effects and convenience profile, while providing an even greater potency profile than Viread.

GS 4338

- Lastly, GS 4338, a potent protease inhibitor, with a different resistant profile is being developed for HIV. An IND filing is being worked up, and clinical studies are planned to begin in early 2004.

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Exhibit 7
Anticipated Events for Gilead Sciences

Type	Event	Expected Timing
Product Advancement	Hepsera launch in Singapore	3Q 2003
Regulatory	GS 4104 HD	End 2003
Product Advancement	GS 4104 Phase I start	1H 2004
Product Advancement	DAPD Phase II start in patients with numerous TAMs	2004
	Launch Viread and Emtriva in Japan	2004
Product Advancement	Hepsera launch in Taiwan, Japan, China and Korea	2004-2005
Product Advancement	Launch Viread-Emtriva co-formulation	2005

Source: Company Reports, Morgan Stanley Research

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Exhibit 6

Gilead Sciences Quarterly Income Statement - 2003

(Dollars in millions, except per share data)

	Q1 '03	% Chg	Q2 '03A	% Chg	Q3 '03E	% Chg	Q4 '03E	% Chg	2003E	% Chg
Revenues										
Product Sales										
Ambisome	41.1	3.3%	11.2	-72.8%	44.7	-61.7%	51.6	9.2%	45.3	-12.2%	$153.7	-9.9%
Viread	167.3	294.7%	147.0	-12.1%	172.0	17.0%	113.6	-67.3%	189.6	112.3%	$176.3	15.8%
Hepsera	3.8	58.6	12.4	226.3%	14.9	20.0%	16.4	10.0%	16.9	244.9%	$24.6	45.9%
Gamimune (FPC)	8.6	20.8	6.6	-23.3%	7.9	20.0%	6.6	-16.5%	11.9	-9.8%	$21.9	5.5%
Other	1.9	-61.4%	0.1	-93.4%	0.1	0.0%	0.7	470.0%	0.1	0.0%	$0.5	11.9%
Total Sales	136.9	128.0%	230.7	68.5%	239.8	39.2%	194.1	61.6%	259.3	51.5%	$489.8	17.9%
Royalty	0.9	-148.9%	7.8	5.0%	2.6	-66.7%	4.6	11.9%	12.8	29.9%	$14.7	21.0%
Cosmetic	1.5	-31.7%	2.2	-56.9%	1.8	-20.0%	1.4	-22.9%	2.6	-46.5%	$3.3	-18.2%
Other	0.5	0.0%	0.5	0.0%	0.5	0.0%		0.0%	0.5	0.0%	$0.5	0.0%
Total Revenues	137.8	116.3%	241.2	118.0%	244.5	70.8%	200.4	70.8%	263.9	69.7%	$508.1	84.1%
Cost & Expenses												
Cost of Sales	11.1	77.3%	13.1	81.2%	22.9	74.7%	23.9	27.1%	14.7	77.3%	$34.3	62.7%
SG&A	44.1	22.0%	39.9	-21.7%	44.8	21.7%	48.5	21.1%	47.9	34.9%	$70.9	27.7%
Marketing, G&A	47.9	84.7%	48.2	84.7%	54.9	68.7%	44.6	30.8%	50.9	21.3%	$69.9	39.9%
Other Charges												
Total Operating Expenses	103.1	77.0%	101.3	68.4%	122.6	68.8%	116.9	27.1%	113.7	39.2%	$173.3	46.7%
Operating Income	47.1	9.6%	140.0	198.8%	121.9	73.8%	83.5	24.8%	150.2	238.9%	$334.7	9.8%
Other Income (Expense)												
Net Interest Income	11.01	-184.1%	12.11	234.8%	12.51	3.3%	12.51	234.8%	11.01	-44.7%	$10.19	-26.2%
Income Taxes		0.0%		0.0%		0.0%		0.0%		0.0%	$0.0	0.0%
Gain on Sale Of Subsidiary		0.0%		0.0%		0.0%		0.0%		0.0%	$0.0	0.0%
Pretax Income (Loss)	45.0	9.6%	152.1	237.9%	134.4	73.8%	96.1	24.8%	161.2	196.9%	$344.9	9.8%
Provision for Income Taxes	2.3	9.6%	9.1	9.6%	8.4	9.6%	9.1	9.6%	7.3	9.6%	$16.1	9.6%
Tax Rate	5%		6%		6%		9%		5%		5%	
Net Income From Operations (Loss)	42.7	9.6%	143.0	237.9%	126.0	73.8%	90.3	24.8%	153.9	196.9%	$328.8	9.8%
Non-Recurring Item												
Net Income (Loss)	42.7	9.6%	143.0	237.9%	126.0	73.8%	90.3	24.8%	153.9	196.9%	$328.8	9.8%
EPS From Operations - Basic	$0.03	0.0%	$0.10	233.3%	$0.09	-10.0%	$0.06	-33.3%	$0.09	50.0%	$0.34	13.3%
EPS From Operations - Diluted	$0.03	0.0%	$0.10	233.3%	$0.09	-10.0%	$0.06	-33.3%	$0.09	50.0%	$0.34	13.3%
Basic Shares Outstanding (MM)	1,396.3	2.3%	1,399.5	0.2%	1,399.5	0.0%	1,407.7	0.6%	1,406.6	0.5%	1,403.3	-0.2%
Diluted Shares Outstanding (MM)	1,401.1	0.6%	1,404.3	0.2%	1,404.3	0.0%	1,412.5	0.6%	1,411.4	0.5%	1,408.1	-0.2%

e - Morgan Stanley Research estimates

Source: Company Reports, Morgan Stanley Research

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Exhibit 9
Gilead Sciences Annual Income Statement

(Dollars in millions, except per share data)

	2003	% Chg	2004E	% Chg	2005E	% Chg	2006E	% Chg	2007E	% Chg	2008E	% Chg	2009E	% Chg
Revenue														
Product Sales														
Antiviral	$1,611.7	13%	$1,787.4	9%	$1,874.7	4%	$1,968.7	5%	$2,158.1	9%	$2,409.9	11%	$2,409.9	0%
Viread	330.9	90%	978.1	196%	831.6	-15%	1,062.6	27%	1,241.4	17%	1,241.9	0%	1,241.9	0%
Hepatitis	1.6	88%	8.8	450%	16.8	91%	21.2	26%	26.3	24%	31.1	18%	31.1	0%
Licensing (TTC)	6.0	0%	31.0	417%	71.6	131%	113.0	58%	113.0	0%	113.0	0%	113.0	0%
Other	9.1	-48%	7.1	-22%	7.0	-2%	7.0	0%	7.0	0%	7.0	0%	7.0	0%
Total Product Sales	1,963.4	122%	2,812.4	43%	2,802.3	0%	3,172.5	13%	3,545.8	12%	3,803.0	7%	3,803.0	0%
Royalty	29.3	34%	34.7	18%	36.9	6%	36.9	0%	36.9	0%	36.9	0%	36.9	0%
Contract	22.3	14.4%	9.3	-58.3%	3.0	-67.7%	3.0	0.0%	3.0	0.0%	3.0	0.0%	3.0	0.0%
Total Revenue	2,015.0	121%	2,856.4	42%	2,842.2	-0.5%	3,212.4	13%	3,585.7	12%	3,842.9	7%	3,842.9	0%
Cost & Expenses														
Cost of Sales	449.7	99.3%	514.1	14.3%	594.1	15.6%	695.3	17.0%	821.3	18.1%	918.7	11.9%	918.7	0.0%
R&D	334.8	57.4%	370.9	10.8%	384.4	3.6%	423.3	10.1%	465.2	9.9%	488.5	5.0%	488.5	0.0%
Marketing, G&A	301.3	44.9%	383.8	27.4%	488.8	27.4%	538.8	10.2%	592.7	10.0%	622.3	5.0%	622.3	0.0%
Other	-	N/M	-	N/M	-	N/M	-	N/M	-	N/M	-	N/M	-	N/M
Total Operating Expenses	1,085.8	0.5%	1,268.8	16.8%	1,467.3	15.6%	1,657.4	13.0%	1,879.2	13.4%	2,029.5	8.0%	2,029.5	0.0%
Operating Income	929.2	1.5%	1,587.6	70.8%	1,374.9	-13.4%	1,555.0	13.1%	1,706.5	9.7%	1,813.4	6.3%	1,813.4	0.0%
Net Interest Income	5.8	-27.3%	(5.4)	N/M	(9.0)	N/M	(7.4)	17.8%	(5.8)	21.6%	(4.8)	17.2%	(4.8)	0.0%
Minority Interest	-	N/M	-	N/M	-	N/M	-	N/M	-	N/M	-	N/M	-	N/M
Gain on Sale Of Subsidiary	(34.8)	N/M	-	N/M	-	N/M	-	N/M	-	N/M	-	N/M	-	N/M
Pretax Income (Loss)	899.2	9.1%	1,582.1	76.0%	1,365.9	-13.7%	1,547.6	13.3%	1,700.7	9.9%	1,808.6	6.3%	1,808.6	0.0%
Provision For Income Taxes	1.1	N/M	0.7	-34.1%	1.4	100.0%	1.4	0.0%	1.4	0.0%	1.4	0.0%	1.4	0.0%
Tax Rate	N/M		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%	
Net Income From Operations (Loss)	898.1	9.2%	1,581.4	76.0%	1,364.5	-13.7%	1,546.2	13.3%	1,699.3	9.9%	1,807.2	6.3%	1,807.2	0.0%
Equity In Of Unconsolidated Affiliates (Loss)	-	N/M	-	N/M	-	N/M	-	N/M	-	N/M	-	N/M	-	N/M
Net Income (Loss)	898.1	9.2%	1,581.4	76.0%	1,364.5	-13.7%	1,546.2	13.3%	1,699.3	9.9%	1,807.2	6.3%	1,807.2	0.0%
EPS From Operations - Basic	$0.80	9.1%	$1.32	65.0%	$1.17	-11.2%	$1.34	14.8%	$1.51	12.6%	$1.64	8.6%	$1.70	3.7%
EPS From Operations - Diluted	$0.62	8.1%	$1.09	76.1%	$0.96	-11.9%	$1.09	13.2%	$1.23	12.8%	$1.34	8.9%	$1.39	3.7%
Earnings Per Share, Basic	$0.81	9.1%	$1.32	65.0%	$1.17	-11.2%	$1.34	14.8%	$1.51	12.6%	$1.64	8.6%	$1.70	3.7%
Earnings Per Share, Diluted	$0.80	9.1%	$1.32	65.0%	$1.17	-11.2%	$1.34	14.8%	$1.51	12.6%	$1.64	8.6%	$1.70	3.7%
Basic Shares Outstanding (Mil.)	1,110.3	2.0%	1,200.3	8.1%	1,167.1	-2.8%	1,155.1	-1.0%	1,125.1	-2.6%	1,100.1	-2.2%	1,063.1	-3.4%
Diluted Shares Outstanding (Mil.)	1,450.1	0.9%	1,521.6	4.9%	1,521.9	0.0%	1,520.6	-0.1%	1,520.6	0.0%	1,520.6	0.0%	1,520.6	0.0%

e - Morgan Stanley Research estimates

Source: Company Reports, Morgan Stanley Research

Please see analyst certification and important disclosures starting on page 13.

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. Caroline L. Copithorne.

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Global Stock Ratings Distribution

(as of Sep 30, 2003)

	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight	577	31%	243	39%	42%
Equal-weight	854	46%	274	44%	32%
Underweight	411	22%	99	16%	24%
Total	1,842		616		

Data include common stock and ADRs currently assigned ratings. For disclosure purposes (in accordance with NASD and NYSE requirements), we note that Overweight, our most positive stock rating most closely corresponds to a buy recommendation. Equal-weight and Underweight most closely correspond to neutral and sell recommendations, respectively. However, Overweight, Equal-weight, and Underweight are not the equivalent of buy, neutral, and sell but represent recommended relative weightings (see definitions below). An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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More volatile (V). We estimate that this stock has more than a 25% chance of a price move (up or down) of more than 25% in a month, based on a quantitative assessment of historical data, or in the analyst's view, it is likely to become materially more volatile over the next 1-12 months compared with the past three years. Stocks with less than one year of trading history are automatically rated as more volatile (unless otherwise noted). We note that securities that we do not currently consider "more volatile" can still perform in that manner.

Unless otherwise specified, the time frame for price targets included in this report is 12 to 18 months. Ratings prior to March 18, 2002: SB=Strong Buy; OP=Outperform; N=Neutral, UP=Underperform. For definitions, please go to www.morganstanley.com/companycharts.

Analyst Industry Views

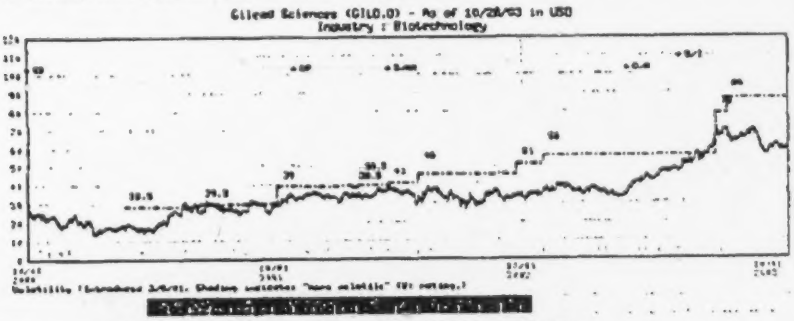
Attractive (A). The analyst expects the performance of his or her industry coverage universe to be attractive vs. the relevant broad market benchmark over the next 12-18 months.

In-Line (I). The analyst expects the performance of his or her industry coverage universe to be in line with the relevant broad market benchmark over the next 12-18 months.

Cautious (C). The analyst views the performance of his or her industry coverage universe with caution vs. the relevant broad market benchmark over the next 12-18 months.

Stock price charts and rating histories for companies discussed in this report are available at www.morganstanley.com/companycharts. You may also request this information by writing to Morgan Stanley at 1585 Broadway, 14th Floor (Attention: Research Disclosures), New York, NY, 10036 USA.

Stock Price, Price Target and Rating History (See Rating Definitions)



Other Important Disclosures

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INDUSTRY COVERAGE: BIOTECHNOLOGY

Company	Ticker	Rating as of	Price at 10/7/03
Amgen	AMGN O	E	10/7/03
Amylin Pharm	AMLN O	E	3/4/03
AtheroGenics	AGIX O	O	3/10/03
Biogen	BGEN O	E	8/24/03
Celgene Corp	CELG O	O	3/18/03
Chiron	CHIR O	V	3/18/03
Cubist Pharmaceuticals	CBST O	U	6/4/03
CV Therapeutics Inc	CVTX O	U	8/7/03
Genentech	DNA N	U	10/10/03
Genzyme General	GENZ O	E	6/20/03
Gilead Sciences	GILD O	O	3/19/03
ICOS Corporation	ICOS O	E	7/16/03
IDEC Pharmaceuticals	IDPH O	E	6/24/03

Company	Ticker	Rating as of	Price at 10/7/03
Inhale Therap	INHL O	E	6/12/03
MedImmune	MEDI O	E	3/17/03
Millennium Pharma	MLNM O	E	6/23/03
Neurocrine Biosciences Inc	NBIX O	E	7/7/03
NPS Pharmaceuticals	NPSP O	O	6/3/03
OSI Pharmaceuticals	OSIP O	O	6/13/03
Regeneron	REGN O	E	6/10/03
The Medicines Company	MDCO O	O	6/12/02
Trimeris	TRMS O	E	6/12/02
Vertex Pharmaceuticals	VRTX O	U	6/15/00

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